

## Frequently asked questions

### INTRODUCTION TO CONVERTING FUNDS

**What is a conversion?** A conversion is the process of changing your fund holdings from 'inclusive' to 'unbundled' units.

There is no charge for this service, no tax liability and you will remain invested throughout the conversion process. Conversions take place on a quarterly basis in March, June, September and December. Once your instruction has been submitted to the fund group you will be unable to sell the inclusive holding until the conversion completes which may take 3 weeks, sometimes longer. In reality, we expect most to complete in much less time.

**What are unbundled funds/ units and inclusive funds/units?** We offer access to two types of funds, 'inclusive' and 'unbundled' funds. Unbundled funds typically have lower annual management charges and pay lower or no loyalty bonuses. Inclusive funds typically have higher annual management charges than 'unbundled funds' and pay higher loyalty bonuses.

**Could I switch rather than convert and would this be completed sooner?** As well as converting, you can also switch from one type of fund to another via our normal dealing service. When you switch through the Vantage Service you place a single instruction and the sale will normally be placed by the end of the Working Day following receipt of your instruction and the purchase will normally be placed automatically by the end of the Working Day following that. A switch can be performed at any time and is usually completed more quickly than a conversion.

However, you may incur a bid/offer spread or dilution levy and, as you will hold cash while the switch takes place, you will not benefit from any growth in the market until your money is reinvested. If you switch outside an ISA or SIPP, there is also a risk that the switch could create a capital gains tax liability.

**What happens if I don't convert my holdings?** In many cases you will receive similar savings as the inclusive units. This is because we have increased the loyalty bonus on thousands of existing inclusive funds. The typical loyalty bonus of an inclusive fund is 0.75% or more, achieving a similar effect as buying the new unbundled funds. For example,

	EXISTING COMMISSION INCLUSIVE FUND	NEW UNBUNDLED FUND
Annual Management Charge	1.5%	0.75%
Less loyalty Bonus	(0.75%)	-
HL charge	0.45%	0.45%
Total paid	1.2%	1.2%

However, in some cases investors may want to consider converting to the new units, especially where there are unbundled funds with lower charges.

Investors who pay tax and who hold funds in the Fund & Share Account may also wish to convert.

This is because HMRC believes that from April 2013 rebates of annual charges (such as loyalty bonuses) paid on funds held outside ISAs or SIPPs should be paid net of basic rate tax. We believe this is incorrect and

are challenging HMRC's interpretation. However, in line with best client accounting practice and to save clients facing an unexpected bill in the future, we are currently paying loyalty bonuses within the Vantage Fund & Share Account net of an amount equivalent to the basic rate tax. If we are successful in our challenge we will return this money to clients. If we are unsuccessful we will use the money to pay over any amounts due to HMRC.

Loyalty bonuses in the Vantage Fund & Share Accounts held by overseas investors, companies and charities will be paid without any deductions, as will loyalty bonuses in the Vantage ISA and Vantage SIPP which are exempt from tax. Therefore, this tax consideration only applies to tax payers who hold funds in the Fund & Share Account.

It is entirely your decision on whether you decide to convert. Some clients will prefer the new unbundled classes, while others will prefer to keep inclusive funds with higher loyalty bonuses which could be used to cover fees. There is no need to convert unless you want to.

### TAXES, CHARGES AND FUND VALUES

**Is there a charge to convert?** No. We are offering conversions free of charge.

**Is there any tax liability for converting?** No. HMRC has confirmed there is no tax liability for converting funds.

**If I convert, how will any loyalty bonuses be paid?** If you choose to convert, any loyalty bonuses earned on the unbundled units will be paid to you in further fund units. We cannot pay these loyalty bonuses out to you as cash or use them to cover fees on your account. Any loyalty bonuses you receive in the month of your conversion will be based upon your new unbundled units. Please see section A3 of our terms & conditions for more information.

**If I convert, will the value of my holding change?** You will remain fully invested throughout the conversion process so the value of your fund will be subject to market movements. You will not be able to sell or buy the inclusive units until the conversion is complete. Please only instruct a conversion if you are comfortable with this.

**If I convert, will the number of units I hold change?** The unbundled units will almost always have a different price to the inclusive units and therefore, the number of units you hold after the conversion will usually be different. Your confirmation of the conversion will clearly show the details.

### TIMING, DEALING AND REGULAR SAVINGS

**How do I provide a conversion instruction?** Instructions can be given online or by post. We cannot take conversion instructions over the telephone.

**What will be converted?** Your entire holding in the fund at the point we send your instruction to the fund group.

Therefore all new purchases, sales, and completed transfers in or out which take place up to the point your instruction is submitted to the fund group will be taken into account.

**When does the conversion take place?** Conversions take place on a quarterly basis in March, June, September and December. Please note the conversion process relies on the fund groups providing us with timely information about the number of units you have received and some fund groups may take longer than others to respond.

After your fund has been submitted for conversion you will be able to monitor the value of your holding and the progress of the conversion on our website, but you will not be able to buy or sell the inclusive holding until the conversion is complete. You will, however, be able to buy and sell units in the unbundled fund you are converting to.

**What will happen after I provide my conversion instructions?** You will receive confirmation, either by letter or, if you have signed up for our paperless service by secure message. Your instructions will also show in the 'pending orders' section of your account. You can continue to deal whilst the conversion is 'pending'.

We will hold your instruction as 'pending' until the next conversion point (March, June, September or December) when we will submit the instruction to the fund group. At this stage your instruction will show as 'submitted for conversion' and you will not be able to sell or buy the inclusive holding until the conversion completes which may take 3 weeks, sometimes longer. In reality, we expect most to complete in much less time. However, we are wholly reliant on the fund groups to provide timely information about the number of units you have received and some fund groups may take longer than others to respond, so this cannot be guaranteed.

Once your conversion is complete we will send you confirmation.

**Can I trade in my fund whilst the conversion instruction is 'pending'?**

Yes you can trade your fund while its status is 'pending'. Once your order is 'submitted for conversion' you will not be able to sell or buy any more of the inclusive holding until the conversion is complete. You will always be able to buy and sell more of the unit that you are converting to.

The restriction on dealing also applies to phasing, reinvesting loyalty bonuses and Bed & ISAs/ Bed & SIPP and to new regular savings instructions.

**How long will the conversion take?** Conversions may take 3 weeks to complete, sometimes longer. In reality, we expect most to complete in much less time. However, we are wholly reliant on the fund groups to provide timely information about the number of units you have received and some fund groups may take longer than others to respond, so this cannot be guaranteed.

Please be assured we will monitor the conversion on your behalf to ensure it is done as quickly as possible.

**What if I change my mind, can I cancel?** Yes, whilst your order is 'pending' it can be cancelled. To do so, please go to your 'pending orders' and click the cancel icon next to the line of stock.

Once your order has been 'submitted for conversion' you are no longer able to cancel.

**I have an existing regular savings/phasing instruction to a fund I am converting; will you change this over to the new unbundled fund for me?** Yes. We will change your instruction to the unbundled fund at the point we submit your conversion order to the fund group.

**I have a corporate account with you through my employer; will you change my monthly investment instruction to the unbundled fund?** Yes. We will change your instruction to the unbundled fund at the point we

submit your conversion order to the fund group.

**I've converted my holdings in my SIPP but am due a tax credit, will you automatically change the associated investment instruction to the unbundled fund?** Yes. We will change your instruction to the unbundled fund at the point we submit your conversion order to the fund group.

**I'm in the process of transferring holdings to another account in my name e.g. going in to income drawdown, or merging an old PEP with my main ISA, will you carry my conversion instruction over?** If the transfer of the holding takes place before your conversion is submitted to the fund group the conversion will not take place and you will need to resubmit your instruction on the account where the stock is now held.

If the transfer is not complete when the conversion is submitted to the fund group your conversion will proceed and we will adjust your account once confirmation of the conversion is received.

## DIVIDENDS AND TAX CREDITS

**I am due to receive a dividend from my fund; will I lose the dividend if I convert?** No, you will receive your dividend payment as normal.

**I have a balance on my income account pending automatic reinvestment – what happens to this if I convert my units?** While your fund is 'pending' conversion any income will be reinvested in line with our normal automatic reinvestment procedure.

Any income that has accrued on your income account pending automatic reinvestment that has not been reinvested before your units are converted will be reinvested into unbundled units through a special income reinvestment point within 28 days after your conversion is complete. Our usual reinvestment fee will be waived for these transactions.

Please note if you buy or transfer in more inclusive units any income will be reinvested in to the unit class it was paid from in accordance with the Vantage Terms & Conditions.

## CONFIRMATIONS

**How will I know you have received my instruction to convert?** If you convert online you will have the option to save and/or print a PDF confirmation of your instructions.

In addition, you will receive confirmation either by letter or, if you have signed up for our paperless service, by secure message.

**How will I know when the conversion has taken place?** You will receive confirmation by post or, if you have signed up for our paperless service, you will receive a secure message.

We intend to send confirmations by post once a week so that we can confirm we have converted as many as of your holdings as possible within each letter, and keep paperwork to a minimum. This means there might be a slight delay between the conversion completing and you receiving your confirmation. If you are registered for our Paperless Service you will receive confirmations at least daily. If you would like confirmations more quickly please sign up for our Paperless Service.

**Where will I be able to see a history of my conversions?** Conversions are not market transactions so will not be shown in your transaction history. All confirmations will instead be available to view at any time in 'portfolio history'.